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SUBJECT: TOURISM MAKES RIVAS ONE OF THE MOST SUCCESSFUL
REGIONS IN NICARAGUA

REF: MANAGUA 0417

¶1. (U) The southern Nicaraguan department of Rivas has capitalized on its natural beauty and relatively well developed transportation infrastructure to build an economy increasingly based on tourism. During the civil war of the 1980s, Rivas was not a battleground, but a refuge, and the department's population consequently does not, for the most part, claim strong ideological affiliation with Liberals or Sandinistas. Rivas also enjoys agricultural development, benefiting from fertile soil and extensive coastlines on the Pacific Ocean and Central America's largest freshwater lake. Despite all of Rivas' attractions, however, many people still emigrate abroad, and key industries are prevented from reaching their full potential by a lack of government investment, insufficient academic training, and the conservative attitudes of farmers and business owners. End Summary.

¶2. (U) During a February 15-16 reporting trip to Rivas (reftel), Emboffs met with local private sector, political and church leaders to discuss Rivas' economy, social structure, and potential for growth. Pristine beaches and fertile soil are fueling development in the tourism and agriculture sectors. Although manufacturing is not yet a major element of the economy, one Canadian-owned maquila employs 600 workers in the city of Rivas and will reportedly double in size this year. Jose Rene Martinez, the PLC mayor of Rivas, heads the Rivas (Department) Mayors' Association, which brings together the department's Liberal, Sandinista, and Conservative mayors to work together on development plans. Even though Rivas has one of the most successful local economies in Nicaragua, its inhabitants' general lack of willingness to take risks to expand their businesses and reach new markets has limited growth.

COASTLINES AND NATURAL BEAUTY ATTRACT TOURISM AND INVESTMENT
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¶3. (U) Rivas contains two different tourism zones, each with its own distinctive characteristics. The first is on the Pacific Coast, and is characterized by extensive foreign investment, including several high-end developments (with one eco-resort charging \$300 /night in the high season). Hector Sanchez Arguello, a local partner of several North American investors developing Remanso beach on the Pacific Coast, shared that the Nicaraguan departments of Rivas and Granada enjoy the highest economic growth rates in Central America, thanks to tourism-related investment. Sanchez claimed that, of the 70 largest investment projects in Nicaragua, all but three are located in these two departments.

¶4. (SBU) Other contacts pointed out that the two major

obstacles to growth in tourism are land titling issues (a major problem throughout Nicaragua) and a lack of trained staff. Rommel Hollman, the president of the Rivas Ranchers Association, whose family owns a major development near the beach town San Juan del Sur, complained about the lack of English-speaking waiters and hotel managers. Hector Sanchez reported that, while local universities do offer some hospitality courses, students lack practical training. He explained that many hotel and restaurant owners bring in trained staff from Costa Rica. When asked about recent land invasions in the Sandinista-controlled municipality of Tola, rancher Noel Rivera Sandino commented that the land title issue is a major challenge for foreign and local investors. Monsignor Leonel Navas, the senior Catholic prelate resident in Rivas, told us that the vast majority of the citizens of Rivas are happy with the investment in tourism and that the land invasions are driven by a small band of (FSLN directed) instigators who "make a business of disputing land titles."

15. (U) The other tourism zone is the large volcanic island of Ometepe, located in Lake Nicaragua. The tourism industry on Ometepe, which directly employs over 400 people, is characterized by modest businesses (hostels and small hotels) run by locals and a few foreigners, usually retirees from North America or Europe. Abraham Paisano, a director of the Ometepe Civil Society Network, remarked that foreign investors are welcome on Ometepe and "usually take better care of the environment than the natives." Ometepe is divided into two municipalities: Altagracia and Moyogalpa. Moyogalpa mayor Jose Rene Martinez commented that Altagracia has the better beaches and tourism accommodations. Martinez said that land prices in Ometepe have risen considerably, though an investor can still find land at a reasonable price: \$8,000/manzana (1 manzana = 2.3 acres) for a plot with no coast access; \$20,000/manzana for a plot with "tourism potential"; and \$100,000/manzana for prime beach access in Altagracia. Land invasions have not been an issue in Ometepe, Martinez reported.

16. (U) Roberto Rivera, a member of the Ometepe Chamber of Tourism, is concerned that, under CAFTA, large foreign investors would displace local tourism businesses. Chamber members also complain about the "lack of service mentality" of the minimally-educated labor force (mostly former subsistence farmers), shortages of telecommunication, water, and electrical services, very limited access to (expensive) financing, and a lack of English language training. (Note: Chamber secretary Helmut Arce noted that service workers are often intimidated by the expectations and language barrier presented by English-speaking tourists and frequently abandon their jobs, leading to high turnover rates. He said that several Peace Corps volunteers had trained a few workers in basic English during their spare time, which had been immensely helpful. Peace Corps plans to start a formal English training program in Nicaragua later this month. End Note.) When Emboffs suggested that Rivera and other Chamber members consider partnering with foreign investors to raise capital and upgrade their accommodations, several responded that they are "too conservative" for this approach.

COMMERCIAL AGRICULTURE DEVELOPMENT HELD BACK BY RISK AVERSE MENTALITY

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17. (U) Running a distant second to tourism, agriculture forms the other pillar of Rivas' economy. Contacts mentioned ranching, plantains, lumber, and sugar cane as the principal agricultural sub-sectors. On Ometepe, tobacco and watermelon are produced commercially. Rommel Hollman explained that fishing employs several hundred people in Rivas, but most fisherman employ "traditional" methods to make their living and sell their catch locally to hotels and restaurants. Jose Rene Martinez reported that the Government of Spain is supporting 70 fishermen in Ometepe by constructing refrigerated storage facilities and providing other equipment.

18. (SBU) Chamber of Commerce member Pedro Joaquin Mendoza

explained that, despite benefiting from good soil and decent transportation infrastructure, the conservative mentality of many farmers and a lack of follow-through on the part of the GON prevent Rivas from realizing its full potential. As an example, Mendoza noted that many local farmers produce a type of papaya that sells locally, but is too large for export (North Americans like to eat their papaya in one serving so it doesn't get mushy, he noted). He stated that conservative farmers want to see their neighbor succeed first before they try something new. At one point, the Ministry of Agriculture and Forestry (MAGFOR) started a program to promote the cultivation of smaller papayas, but, according to Mendoza, the initiative fizzled before the supply chain was fully developed. The failure of the program made farmers even more reluctant to try producing for an export market.

¶9. (SBU) Other obstacles to growth in the agricultural sector include high interest rates, skyrocketing land prices, and the "lack of a legal framework" to promote development. Hollman claimed that interest rates have dropped slightly for medium and large producers, to about 15 percent annually, but Mendoza reported that most producers must accept rates as high as 18 to 27 percent. Hollman related that, while tourism is a boon for Rivas, farmers must now pay up to \$100,000 for a "good manzana" of land. Moreover, he stated that he must pay bribes to the local police and hire guards to prevent land invasions, which naturally raises the costs of production. As often the case in Nicaragua, contacts reported that local judges are corrupt, and favorable rulings regarding land disputes are purchased by the highest bidder.

¶10. (SBU) One of the more controversial agricultural investments concerns a tilapia breeding ground in Altagracia (Ometepe). While local residents overwhelmingly support the project and appreciate the employment opportunities afforded by the operation, critics maintain that the tilapia will displace local breeds and harm recreational fishing. (Comment: Previous environmental impact studies have shown that this is not the case. End Comment.) More significantly, a few politically connected owners of beachfront properties near the tilapia operation have been exerting their influence to prevent the company from using a legally issued concession. Their chief objections are that the buoys over tilapia cages are an eyesore and that the operation impedes navigation. They further argue that these factors will hold back the tourism potential of Ometepe. The land owners have gained support of the Nicaraguan Tourism Agency INTUR) in their campaign against the operation. Abraham Paisano, however, was sympathetic to the plan and said that a local environmental committee plans to investigate and report on the impact of the project. Paisano blamed opposition to the tilapia breeding on "ignorance and misinformation."

DESPITE GROWTH, EMIGRATION STILL PREVALENT

¶11. (U) Monsignor Navas described a large-scale "exchange of labor" with neighboring Costa Rica. Unskilled Nicaraguans travel to Costa Rica to harvest crops while skilled Costa Ricans come to Rivas to work in the tourism industry and sell consumer goods. He commented that, while the large majority of migrants go to Costa Rica, a smaller and wealthier demographic set tend to leave for the United States. Navas lamented that large-scale emigration contributes to the disintegration of families, with young fathers departing for months at a time or permanently. Jose Rene Martinez noted that, out of 3,000 households in Ometepe, 2,500 have a member living in Costa Rica or the U.S.

¶12. (U) The large number of emigrants has generated a considerable flow of remittances into Rivas, though, according to local leaders, no formal program exists for channeling the money into development or investment activities. Paisano noted that 12 people in Ometepe are employed full time transporting money and goods related to remittances.

13. (SBU) Although Rivas is blessed with beautiful scenery and good soil, the conservative attitude of many locals has prevented the department from reaching its full potential. While the citizens of Rivas have little control over interest rates or the corrupt judiciary, CAFTA and Nicaragua's increasing visibility on the international tourism scene offer many possibilities for growth in different sectors. These possibilities will only be realized by foreigners, however, if locals -- like the hostel owners in Ometepe and the papaya growers -- are unwilling to step outside of their comfort zone and take some risks. The Nicaraguan Government and USAID programs facilitate linkages with international buyers and investors, but ultimately opportunities must be seized by the people of Rivas.

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